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DATE: April 15, 2021

TO: Minnesota Housing Board Members

FROM: Jennifer Leimaile Ho, Commissioner

SUBJECT: FINANCE AND AUDIT COMMITTEE MEETING

A meeting of the **Finance and Audit Committee** has been scheduled for **12:30 p.m.** on **Thursday, April 22** via conference call (See below for conference call information).

The topics for discussion at this meeting are:

- A. RSM US LLP presentation launching the FY21 financial audit
- B. Other Business (if any)
- C. Adjournment

This committee is a committee of the whole and all members are encouraged to

attend. If you have questions, please call Rachel Franco at (651) 296-2172.

Conference Call

Toll-free dial-in number (U.S. and Canada):

(888) 901-6455

Conference code:

347-032-687



Committee Agenda Item: A
Date: 4/22/2021

Item: RSM US LLP presentation launching the FY21 Financial Audit

Staff Contact(s):

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Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Representatives from the RSM US LLP, the Agency's external audit team, will discuss audit planning for the 2021 engagement. The discussion will include engagement terms, audit timing and scope and risk factors that include fraud and key transactions.

Fiscal Impact:

None

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- RSM US LLP presentation

**PRESENTATION TO THE
AUDIT COMMITTEE
MINNESOTA HOUSING FINANCE AGENCY**

Audit Planning Communication

April 22, 2021



Engagement team

- Public sector
 - Bart Rodberg—Engagement lead senior director
 - Rebekah Box—Engagement manager
 - Eric Engblom—Engagement In-charge
- Financial institutions
 - Hank Donatell—Relationship and FI Partner
 - Dave Antonson—FI Senior manager
 - Sam Zager—FI In-charge
- Concurring reviewer
 - Dan Bonnette—Public Sector Partner
- Information systems general controls review
 - Goktug Aksan—Director

Summary of engagement terms

- Our audit procedures are designed to do the following:
 - Provide reasonable assurance that the financial statements are free of material misstatement.
 - Satisfy the requirements of *Government Auditing Standards*.
 - Satisfy the audit requirements imposed by the Single Audit Act and the Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
 - Address management's initial selection of, and changes in, significant accounting policies or their application; methods used to account for significant unusual transactions; and the effect of significant accounting policies in emerging areas.
 - Focus on accounting estimates that are particularly sensitive to the financial statements based on their significance and level of management judgment.
 - Communicate any disagreements with management about matters that could be significant to the financial statements.

Summary of engagement terms (continued)

- Our audit procedures are designed to do the following (continued):
 - Alert the Audit Committee of any significant errors, fraud or illegal acts identified during our audits.
 - Communicate adjustments, whether or not recorded by Minnesota Housing, that could, either individually or in the aggregate, have a significant effect on the Minnesota Housing's financial reporting process.
 - Communicate significant deficiencies and material weaknesses identified through our review of internal control over financial reporting.
- We will make the Audit Committee aware of significant written communications between RSM US LLP and Minnesota Housing during the year.
- We do not anticipate any scope limitations, which would cause us to qualify our audit opinions.
- Minnesota Housing will be considered to be a low-risk auditee for purposes of the performance of the Uniform Guidance audit.

Auditor's independence

Commitment to independence

- RSM US LLP employs a comprehensive, multifaceted approach to maintaining independence.
- Key components are as follows:
 - Culture that stresses the importance of independence
 - Pervasive consultation and monitoring processes
 - Strong policies that are clearly communicated
 - Chief ethics and compliance officer reports to CEO and Board of Directors
 - Training for all partners, principals and professionals
 - Restricted entity list and electronic tracking of personal financial holdings
 - Annual representations from partners, principals and employees
 - Internal inspection and audit process for compliance with policies
 - Disciplinary process for noncompliance
- 2018 Revision of Government Auditing Standards

Audit services scope

- Communication to the Audit Committee
 - Financial report
 - Single audit report
- Control deficiencies and business improvement suggestions
- Information systems general controls review
 - Logical security and user access management
 - Change management and computer operations

Audit timing

Audit activities	Timing
Planning meeting with management	March 4, 2021
Audit Committee meeting to discuss audit plan	April 22, 2021
Information systems general controls review	May 3, 2021
Audit planning and preliminary procedures	May 10, 2021
Internal control procedures	May 10, 2021
Test of controls and compliance (Uniform Guidance audit)	June 7, 2021
Final audit fieldwork and reporting	August 2, 2021
Final reports due for mailing with Board agenda items	August 18, 2021
Board of Directors meeting to present 2021 audit results	August 26, 2021

Audit strategies

- Audit efficiencies
 - Information systems general controls review
 - Engagement team
 - Timing
- Concurring reviewer
 - Timing of involvement
- Remote work environment
 - Safety protocols
 - Continue to consider remote vs onsite

Key transactions/risks

- Financial statements
 - Revenue recognition
 - Management override of controls
 - Loans receivable and allowance for loan losses
 - Interest rate swap agreements
 - Covid-19 considerations
 - Information systems general controls review
- Single Audit
 - Scrutiny by regulators and funding sources
 - Two major programs for 2021
 - Coronavirus Relief Fund CFDA 21.019
 - Emergency Rental Assistance Program CFDA 21.023

Fraud risk factors

- As required by AU Section 316, RSM US LLP, with the assistance of management and the Audit Committee, will compile a listing of potential fraud risk factors specific to Minnesota Housing.
- Major criteria considered are the following:
 - Areas more likely susceptible to fraud
 - Materiality
 - Financial performance *versus* budget and prior year
 - Revenue recognition policies and procedures
 - Significant judgments and estimates
 - Management structure and any changes
 - General systems environment
 - Current market and industry conditions
 - Understanding of business and history of errors

Adoption of accounting standards

Required to be adopted in future years

- 2022 – GASB Statement No. 87, *Leases*
- 2023 – GASB Statement No. 91, *Conduit Debt Obligations*
- 2022 – GASB Statement No. 92, *Omnibus 2020*
- 2022 – GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- 2023 – GASB Statement No. 96, *Subscription-Based IT Arrangements*
- 2022 – GASB Statement No. 97, *Certain Component Unit Criteria and 457 Plans*

General comments and feedback

Thank you for allowing us to serve Minnesota Housing
Finance Agency

Our goal is to not only meet, but exceed, your
expectations.

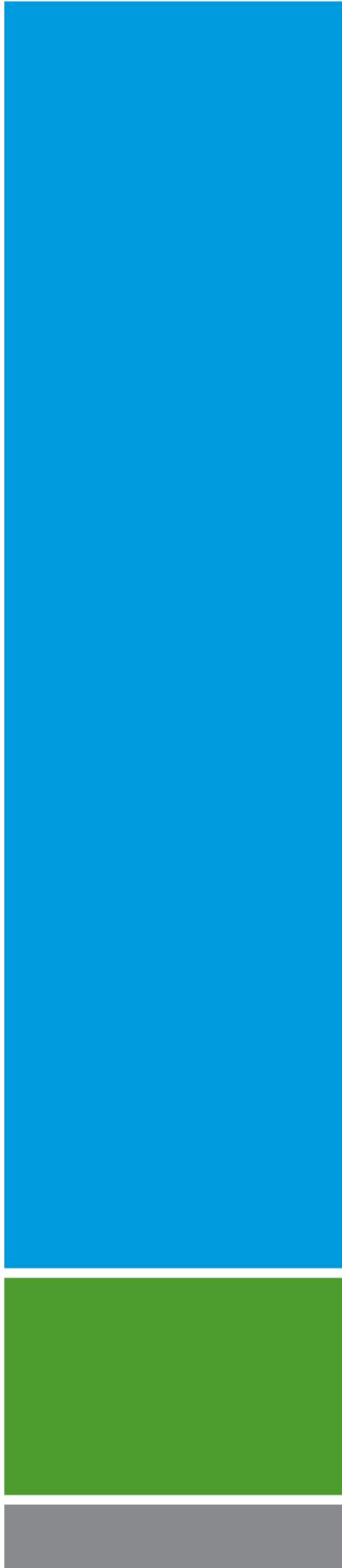
Your feedback is important to us in achieving that goal.

Presented by: Hank Donatell, Bart Rodberg, Dave
Antonson and Rebekah Box





THANK YOU FOR
YOUR TIME AND
ATTENTION



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